

A. Financial Planning Policies:

1. Balanced Budgets:

- a. The general operating fund (General Fund) and the special local option sales tax fund (General Capital Improvement Program, or CIP), Utility Fund operating fund, and the Utility Fund CIP are subject to the annual budget process.
- b. All operating and capital fund budgets must be balanced - total anticipated revenues plus fund balances or reserves brought forward must equal total estimated expenditures each year.
- c. The Utility Fund (the City's only Enterprise Fund type) will be self-supporting.
- d. All budgets will be formulated and adopted on the basis of accounting consistent with generally accepted accounting principles (GAAP).
- e. The budget process will include coordinating development of the capital improvement budget with development of the operating budget.

2. Long-Range Planning:

- a. Budgets will be adopted annually, taking into consideration input from all organizational levels of the City. The Planning Commission will review current and future capital improvement projects and make recommendations to staff for input to the annual budget document.
- b. The long-term revenue, expenditure, and service implications of continuing or ending existing programs or adding new programs, services, and debt will be considered while formulating all budgets annually.
- c. The City will assess the condition of all major capital assets, including buildings, roads, bridges, water and sewer lines, vehicles, and equipment annually.
- d. To estimate the City's future financial position, the long-term impact of operating and capital spending will be analyzed five years forward, concurrent with the formulation of all budgets.
- e. The General Fund will maintain a minimum of 35% of total operating revenues as its fund balance.
- f. Fund Balance of the General Fund shall be used only for emergencies, non-recurring expenditures, or major capital purchases that can not be accommodated through current year savings.

B. Revenue Policies:

1. Revenue Diversification:

The City will strive to maintain a diversified and stable revenue system to protect the City from short-run fluctuations in any one revenue source and ensure its ability to provide ongoing services.

- a. The City will identify all revenue and grant options available to the City each year.
- b. All revenue collection rates, especially for real estate and personal property taxes, will be reviewed annually, and all efforts to maximize receipt of revenues due will be made by the Finance Department.

2. User Fees and Charges:

Fees will be reviewed and updated on an ongoing basis to ensure that they keep pace with changes in the cost-of- living as well as changes in methods or levels of service delivery.

- a. Rental of City properties – Charges will be reviewed annually and compared with market rates for comparable space or property in the community. The City will consider annual escalator clauses in multi-year rental contracts to take into effect the impact of increases in the cost of living.
- b. Building permit and inspection fees will be reviewed annually.
- c. Recreation program charges will be reviewed annually. In general, all efforts will be made to provide programs and activities at an affordable level for the residents of the Williamsburg area while still recovering a major portion of incidental costs of programs, not to include administrative costs or the use of facilities.
 - i. Charges for specialty classes such as yoga, aerobics, dance, dog obedience, etc. will be set at a level to encourage maximum participation, and also enable 75% to 80% of program receipts to be used to compensate instructors.
 - ii. Team sports participation fees will also be set to encourage maximum participation, with approximately 80% to 90% of charges being used to defray costs of officiating, prizes and awards, scorekeepers, and team pictures.
 - iii. Admission fees for the use of the Quarterpath Pool are intended to provide an affordable service to citizens. Fees are not intended to recover 100% of the costs of operating this facility. The City encourages individual and family seasonal membership passes at a minimum fee, which provide an even more affordable opportunity for residents to enjoy this outdoor facility during the summer months.
- d. The City's Utility Fund will be self-supporting. Water and sewer charges will be reviewed annually and set at levels which fully cover the total direct and indirect costs - including operations, capital outlay, and debt service.

3. Use of One-time or Limited-time Revenues:

- a. To minimize disruptive effects on services due to non-recurrence of these sources, the City will not use one-time revenues to fund operating expenditures.

C. Expenditure Policies:

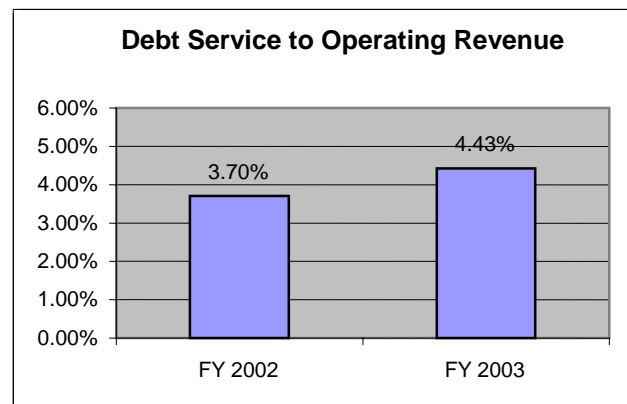
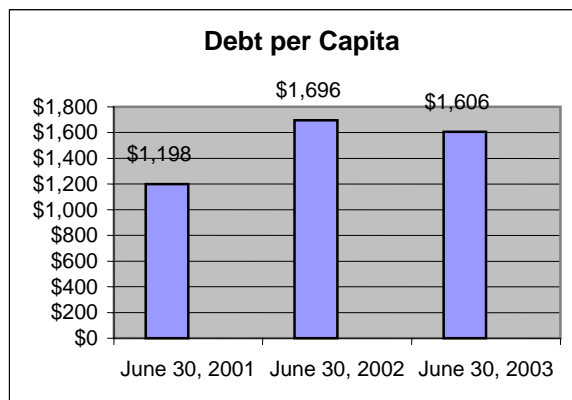
1. Operating/Capital Expenditure Accountability:

- a. The City will finance all current expenditures with current revenues. The City will not short-term borrow to meet cashflow needs.
- b. Future operating costs associated with new capital improvements will be projected and included in operating budgets.
- c. Capital improvement program budgets will provide for adequate maintenance of capital equipment and facilities and for their orderly replacement.
- d. The budgets for all funds shall be controlled at the department level. Expenditures may not exceed total appropriations for any department without approval from the City Manager.

- e. All operating fund appropriations will lapse at fiscal year-end. Any encumbered appropriations at year-end may be re-appropriated by City Council in the subsequent year. Multi-year capital improvement projects may be carried-forward in the subsequent year, at the discretion of the City Manager.
- f. The City will include contingency line items in the General Fund, General CIP, and Utility Fund CIP, not to exceed \$200,000, to be administered by the City Manager, to meet unanticipated expenditures of a non-recurring nature.
- g. The City will maintain a budgetary control system to ensure adherence to the budget and will prepare and present to City Council monthly financial reports comparing actual revenues and expenditures with budgeted amounts.

D. Debt Policy:

1. The objective of the City's debt policy is to maintain the City's ability to incur present and future debt at the most beneficial interest rates in amounts needed for financing the adopted Capital Improvement Program without adversely affecting the City's ability to finance essential City services.
2. A five-year capital improvements program will be developed and updated annually along with corresponding anticipated funding sources.
3. Capital projects financed through either bank qualified loan or the issuance of bonded debt will be financed for a period not to exceed the useful life of the project.
4. Debt service principal payments will be scheduled in equal installments over the life of the indebtedness.
5. The City has not sought a bond rating, but will do so if a rating will improve the cost of borrowing.
6. Pay-as-you-go financing will be the normal method of funding the capital program, with debt financing not to exceed the limits established below.
7. Actual ratios of per capita debt, and debt service to operating revenue, and the not-to-exceed limit are shown below.



- Outstanding Debt per Capita: \$1,100 - \$1,700, including Utility Fund
- Debt Service to Operating revenue: Not to exceed 6%

E. Investment Policy:

In recognition of its fiduciary role in the management of all public funds entrusted to its care, it shall be the policy of the City that all investable balances be invested with the same care, skill, prudence and diligence that a prudent and knowledgeable person would exercise when undertaking an enterprise of like character and aims. Further, it shall be the policy of the City that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Investment Code of Virginia and the guidelines established by the State Treasury Board and the Governmental Accounting Standards Board.

Copies of the City's comprehensive investment policy, including the objectives, allowable investments, quality, maturity restrictions, prohibited securities, and additional requirements are available at the Department of Finance.